

CLASSIFICATION SECRET

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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

REPORT NO. [REDACTED]

CD NO. [REDACTED]

COUNTRY China

DATE DISTR. 18 February 1949

SUBJECT 1. Chinese Communist Delay in Entering Shanghai
 2. Establishment of Contact Between TU Yueh-sheng
 25X1A6a and Chinese Communists

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1. The Chinese Communists are not expected to enter Shanghai for three or more months. This conclusion is based on the following factors:
 - a. The Communists are not prepared to administer a city of this size.
 - b. They hope to maintain the prestige of LI Tsung-jen and to divide the Kuomintang into LI and CHIANG Kai-shek factions.
 - c. The Communists are moving their troops to the Hankow area where, if a split between LI and the Generalissimo continues, they hope PAI Chung-hsi will negotiate for a regional peace and step aside, allowing them to attack the forces of the Generalissimo.
 - d. LI Ming-yang, personal representative of LI to the Communists in Kiangsu, has had some success in delaying the Communist attack of this area.
2. The Communists are not active in Shanghai, but inflation and the lack of discipline among the troops may cause trouble. There are a few strikes at present, but they are not serious.
3. LI Tsung-jen has no authority in this area. The real ruler is TANG En-po, who has direct communication with the Generalissimo. TANG is very corrupt and the local populace are complaining of his practices.
4. TU Yueh-sheng has established contact with the Communists in Peiping. On 14 February 1949, through the China Merchants Steam Navigation Company, he entered into a barter agreement with the Communists to exchange flour from Shanghai for coal. Politically, however, TU is supporting both the Generalissimo and LI Tsung-jen.

This document is hereby regraded to
 CONFIDENTIAL in accordance with the
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